

MODIMOLLE LOCAL MUNICIPALITY



ANNUAL PERFORMANCE COMPARISON REPORT

2014/2015

Served at Executive Committee Agenda
per Item B516/8/2015 on 26 August 2015

1. INTRODUCTION

Municipalities are established in terms of the Constitution of the Republic of South Africa. The purpose of the objectives of Municipalities are:

- a) To provide democratic and accountable government for local communities
- b) To ensure the provision of services to communities on a sustainable manner
- c) To promote social and economic development
- d) To promote a safe and healthy environment; and
- e) To encourage the involvement of communities and community organisations in the matters of local government

A municipality must strive, within its financial and administrative capacity, to achieve the objectives set out above.

Chapter 8 of the municipal Systems Act (Act 32 of 2000) stipulates per Section 73 as follows: A municipality must give effect to the provisions of the Constitution and-

- a) Give priority to the basic needs of the local community;
- b) Promote the development of the local community; and
- c) Ensure that all members of the local community have access to at least the minimum level of basic municipal services.

The Modimolle Local Municipality is composed in such a way that both the purposes of the Constitution and the stipulations from the Systems Act are addressed.

The Municipality has 3 line function and 2 support function departments that plan, budget and implement projects to maintain and deliver services to the communities around it. The line function departments are the Technical, Social and Community and Strategic Planning departments. Supportive departments are Corporate Services and Financial Services.

2. PROCESS IN COMPILING THE ANNUAL PERFORMANCE REPORT

The process of compiling the Annual Performance Report starts each financial year in the first quarter when the Integrated Development Plan (IDP) Annual Process Plan is integrated. With this Process Plan community involvement is invited, stakeholders have the opportunity to give inputs and interested parties have the opportunity to share the planning process of the municipality.

During the second quarter, many stakeholder meetings are held in the attempt to disseminate information.

During the third quarter the IDP gets finalised and the draft budget and the operational plans as embodied in the Service Delivery Budget Implementation Plan (SDBIP), are linked to the IDP.

This linkage between the IDP, Budget and SDBIP has to be very finely aligned, which means that a project identified in the IDP, has to be both budgeted and operationally planned for. In the third quarter of the financial year the Performance Management Systems Framework, which must be reviewed annually, gets submitted for approval by Council.

In the third and fourth quarter, the Budget and SDBIP move from draft status to final status. These draft documents are tabled to the various Council Portfolio Committees for recommendations. The next step is the tabling at Executive Committee for recommendations to Council, who approve and adopt if satisfied with the contents of the documents.

The Annual Performance Report starts off with the performance monitoring of the performance of the first quarter. The Midyear Report (or MFMA Section 72 report) takes a hard look at performance for the first 6 months of the financial year. This report gets submitted to various government departments. The third quarter report is also crucial for reporting as the fourth quarter is ideally the quarter for finishing off the projects.

The fourth quarter report indicates the final status of completion of all projects listed for the recently concluded financial year. The fourth quarter report is therefore the report that informs the Annual Performance Report with the critical information on achievement and non-achievements for the past year.

The Annual Performance Report follows the format prescribed by National Treasury, as supplemented by requests from inter-alia the Department of Local Government.

3. GENERAL KEY PERFORMANCE INDICATORS

The following general key performance indicators are prescribed in terms of Section 43 of the Act:

- a) The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal: 17 525
- b) The percentage of households earning less than R1 100 per month with access to free basic services: 3 714 indigents
- c) The percentage of municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan: 59%
- d) The number of jobs created through municipality's local economic development initiatives including capital projects: 150 jobs
- e) The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan: $17/20 = 85\%$
- f) The percentage of a municipality's budget actually spent on implementing its workplace skills plan: 90% of the training vote of R484 389; 0.2% out of the total budget of R290 340 455

(g) Financial viability as expressed by the following ratios:

$$I. A = \frac{B - C}{D} = \frac{168\,510\,947.00}{699\,071.92}$$

Where –

'A' represents debt coverage

'B' represents total operating revenue received

'C' represents operating grants

'D' represents debt service payment (i.e. interest + redemption) due within the financial year;

$$II. A = \frac{B}{C} = \frac{113\,006\,369.00}{126\,011\,900.00}$$

'A' represents outstanding service debtors to revenue

'B' represents total outstanding service debtors

'C' represents annual revenue actually received for services

$$III. A = \frac{B + C}{D} = \frac{38\,361\,948.00}{15\,625\,221.00}$$

'A' represents cost coverage

'B' represents all available cash at a particular time

'C' represents investments

'D' represents monthly fixed operating expenditure

4. SDBIP TARGET AND ACHIEVEMENTS

4.1 DEPARTMENTAL PERFORMANCE

4.1.1 DEPARTMENT: MUNICIPAL MANAGER & INTERNAL AUDIT UNIT

The purpose of the Municipal Managers post is to act as Head of the Administration and to be the Accounting Officer for the financial affairs of the municipality as per Section 55 of the Municipal Systems Act.

The Internal Audit Unit is tasked to audit the results of the performance measurements as part of the municipality's internal auditing processes in terms of Section 41(1)(c) of the same Act.

Purpose of the Department

As the pinnacle department of the municipality, the Municipal Manager's office must lead strategically and ensure that the line an staff departments fulfill their roles.

The Audit Unit must execute audits on financial and performance matters as per their Annual Audit Plan on a continuous base.

Characteristics of the Department

Staff functionalary department of a strategic and general management nature

Composition : Municipal Manager and Personal Assistant

Head Internal Audit and support staff

Key Performance Areas : Intergovernmental Relations

Line Audits

Audit Committee

Auditor General Audit issues indicated

Key Performance Indicators : For the reporting period the KPI's were a legacy form previous year as compiled in consultation with the appointed consultants

Projects listed : No projects for the Municipal Manager's office

Operational projects were listed for the Audit Unit

Overview of Performance at end of financial year

Corrective Action

4.1.2 DEPARTMENT: BUDGET AND TREASURY

Purpose of the Department

The purpose of the Treasury Department is tasked in terms of Section 26(h) of the Municipal Systems Act to compile a financial plan, which must include a Budget projection for at least the next three years.



4.1.3

DEPARTMENT: TECHNICAL SERVICES

Correction Action

Characteristics of the Department

This department is key support function department.

Composition : Divisions are: Revenue, Expenditure & Asset

Management, Supply Chain Management and Budget and Reporting

Key Performance Areas : All Income and Expenditure of the Municipality

All assets and the discharge of all liabilities of the Municipality

Proper and diligent compliance with the Municipal Finance Management Act

Key Performance Indicators : A total of 41 Key Performance Indicators are contained in the Department's SDBIP

Projects listed : Projects in this Department are operational in nature are not listed as projects as such

Overview of Performance at end of financial year

Purpose of the Department

This department is key in the provisioning of core municipal services to the communities as stipulated by the South African Constitution .

Characteristics of the Department

This department is a line functional department.

Composition :

Divisions are: Roads & Storm water, Water & Waste Water (Sanitation) and Electro-technical. The Project Management Unit (PMU) resorts under this department

Key Performance Areas :

Focus on the construction and maintenance of roads and storm water piping, the provisioning of potable water and the installation and maintenance of a infrastructure, the processing and releasing of waste water and the installation and maintenance of a sewage network, as well as the provisioning of an interrupted supply of electricity and the installation and maintenance of an electrical distribution network

Correction Action

Overview of Performance at end of financial year

Key Performance Indicators : Key Performance Indicators were listed

Projects listed : Projects Management Unit listed 13 projects

Purpose of the Department

The Corporate Services Department has to address the Municipality's internal transformation needs (Section 26(a)), and to provide administrative support to Council.

Characteristics of the Department

This department is a line functional department.

Composition : Administrative, Legal, Communication and Information Technology and Human Resource Management Divisions form the Corporate Services Department

Key Performance Areas : To see that a well functioning administration is run, to appoint, train and discipline staff, promote sound labour relations, to advise the political office bearers, to manage communication, to carry out the decisions of the political structures, to facilitate participation by the local community in the affairs of the municipality, to access community satisfaction with municipal services, to update by-laws etc.

Key Performance Indicators : A total of 24 key performance indicators are listed in the SDBIP

Projects listed : Projects in this Department are operational in nature and are not listed as projects as such

Overview of Performance at end of financial year

Correction Action

4.1.5 DEPARTMENT: SOCIAL AND COMMUNITY SERVICES

Purpose of the Department

The purpose of the Social & Community Services Department is to assist with the municipal development of the communities, to help with access to services and to provide for an applicable Disaster Management Plan in terms of Section 26 of the Municipal Systems Act.

Characteristics of the Department

This department is a line functional department.

Composition

Divisions are: Protection Services, Refuse Removal and Sport, Arts and Cultural

Key Performance Areas

Reflected in the vehicle and driver's licenses, fire brigade services, cemeteries, libraries, parks, sport fields and solid waste removal

Key Performance Indicators

21 Key Performance Indicators were listed

Projects listed

:

Overview of Performance at end of financial year

Correction Action

4.1.6

DEPARTMENT: STRATEGIC PLANNING AND ECONOMIC DEVELOPMENT

Purpose of the Department

This department must undertake developmentally-orientated planning to achieve the objects of Local Government as set in the Constitution. (Section 23 of Municipal Systems Act)

Characteristics of the Department

This department is a line functional department with a strong line function element

Composition

Four Divisions : Integrated Development Planning, Town Planning, Local Economic Development and Organisational Performance Management

Key Performance Areas

The assessment of the existing level of development, spatial development and building control, local economic development, and monitoring and evaluation

Key Performance Indicators : 29 Key Performance Indicators were listed

Projects listed :

Overview of Performance at end of financial year

Correction Action

5. PERFORMANCE OF SERVICE PROVIDERS TO THE MUNICIPALITY

No	Name of Service Provider	Type of Service	Annual	Disruptions	Corrective
1	ESKOM	Electricity provision	R70 000 000	Load shedding	None
2	Magalies Water Board	Potable water provision	R7 300 000	Under supply	None
3	Rakhuissetsa & Modimolle Security	Security Services	R6 400 000	None	None
4	Various service providers	Professional Services	R3 574 000	None	None
5	Auditor General	Audit Fees	R2 800 000	None	None
6	Telkom & Vodacom	Telephone	R1 970 000	None	None
7	ABSA	Vehicle Costs	R1 300 000	None	None
8	Bathuthu Risk Services (Pty) Ltd	Insurance	R760 000	None	None
9	SALGA	Membership Fees	R660 000	None	None
10	Standard Bank	Bank charges	R620 000	None	None

6. ISSUES RAISED BY AUDITOR GENERAL

Include per separate Chapter.

7. PERFORMANCE CHALLENGES

Recognised Performance Challenges are those events identified and tabled as risks that will interfere and inhibit a project to be finished by the planned and desired time, or within the allocated budget.

The Municipal Risk unit operates under the Head Internal Audit Division. It is currently understaffed and it has only one employee at it's disposal.

Other factors that impact negatively on performance were vacancies at critical posts that lasted the whole financial year, rising cost of material and consultants not stay in within their tenders amounts as well as insufficient monitoring, reporting and the execution of remedial actions.

8. REMEDIAL ACTION

The Municipal Systems Act addresses the core components that a Performance Management System must entail. The following components need to be present:

- i. Key Performance Indicators;
- ii. Measurable Performance Target;
- iii. Monitoring and Reviewing of Performance;
- iv. Steps taken to improve Performance; and
- v. Regular process of reporting.

In order to comply with the requirement of "steps taken to improve performance", the quarterly reporting templates have a column at the right hand side of the table titled "remedial action".

In this column the actions to be taken to address under-performance have to be tabled and be reported to the Portfolio Committee, Audit and Performance Audit Committee, Management, Executive etc. Should it be necessary, the budget as well as the SDBIP gets adjusted at midyear to compensate for projects that have fallen behind scheduled.

9. COMPARING PREVIOUS YEAR'S PERFORMANCE

No comparisons were made with the previous year's performance outcomes due to the fact that different key performance targets and projects were registered, the non-availability of statistics and the status of under capacity in the Strategic Planning and Economic Development Department.

10. ORGANOGRAM

The Modimolle Local Municipality had a full time staff complement of 370 employees. The approved organogram is attached as Annexure "C".

11. ALIGNMENT WITH IDP, BUDGET AND SDBIP

The IDP , Budget and SDBIP alignment was discussed under the heading of "Process in Compiling the Annual Performance Report".

The 2014/2015 SDBIP saw an improvement on the previous year's document with regards to the alignment issue. This document did not table projects which were not listed in the IDP and not budgeted for.

The proper alignment between the three cornerstone documents assisted management in the day to day management of their projects as they knew that an issue was properly listed, budgeted and planned for.

12. CONCLUSIONARY REMARKS

Every municipality is tasked to have a performance management system that will contribute to the objects mentioned in the introduction, and furthermore that will bring about the outcomes and impact for the development priorities and objectives set out in it's integrated Development Plan.

MUNICIPAL MANAGER

ANNUAL PERFORMANCE COMPARITIVE REPORT 2014/2015

DIVISION: INTERNAL AUDIT

Key Performance areas	Strategic Objectives	Performance Indicators (KPI)	2013/2014		2014/2015		Comparison current year against previous year	Measures taken to improve performance
			Baseline	Annual	Baseline	Annual		
Good Governance and Public Participation	Improve administration and governance capacity	Number of Internal Audit reports submitted to Audit Committee	10	10	12	12	Target achieved	None
		Percentage of Council resolutions implemented	100%	100%	100%	100%	(KPI for Management)	None
		Number of Audit of Performance Outcome Reports submitted to PAC	4	4	4	4	Target achieved	None
		& of risks and mitigation measures implemented	100%	100%	100%	100%	(KPI for Management)	None
		Number of A-G's Audit Steering Committee Meetings co-ordinated and attended	6	6	6	11	Target achieved	None